

Message Text

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FM SECSTATE WASHDC

TO USDEL SECRETARY PRIORITY

S E C R E T STATE 291594 TOSEC 310284

NODIS

FOLLOWING REPEAT LONDON 19242 ACTION SECSTATE 30 NOV 76

QUOTE S E C R E T LONDON 19242

NODIS

E.O. 11652: XGDS-1

TAGS: UK

SUBJECT: STERLING BALANCES

WE ARE CONCERNED THAT THERE MAY BE A MISUNDERSTANDING BETWEEN WASHINGTON AND LONDON CONCERNING US ASSISTANCE WITH THE PROBLEM OF STERLING BALANCES WHICH COULD HAVE SERIOUS CONSEQUENCES IN TERMS OF US-UK RELATIONS. THE PRIME MINISTER AND AT LEAST SOME OTHER BRITISH MINISTERS APPEAR TO BE UNDER THE IMPRESSION, BASED ON A MESSAGE FROM THE PRESIDENT, THAT (IF THERE IS PRIOR AGREEMENT WITH THE IMF ON CONDITIONS RELATED TO THE PROPOSED DRAWING) THEY CAN RELY ON THE UNITED STATES TO HELP DEAL WITH THE STERLING BALANCE PROBLEM, AND THIS IN THE CONTEXT OF THEIR IDEAS OF DEALING WITH THE PROBLEM WITH MAJOR INTERNATIONAL FINANCIAL SUPPORT. SPECIFICALLY,

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THE PM TOLD SE ATOR JAVITS HE IS RELYING ON THE

PRESIDENT'S MESSAGE, THOUGH HE ADDED HE HOPED NOT TOO MUCH (SEE LONDON 18962). ON THE OTHER HAND WE UNDERSTAND FROM UNDER SECRETARY YEO THAT THERE IS NO WAY THE USG COULD MAKE AVAILABLE VERY SUBSTANTIAL FUNDS ON A LONG-TERM BASIS WITHOUT CONGRESSIONAL ACTION AND THAT THE PROSPECT FOR FAVORABLE CONGRESSIONAL ACTION WOULD BE VERY POOR. SENATOR JAVITS ALSO COMMENTED TO THE SAME EFFECT. YEO SAID THE PRESIDENTIAL MESSAGE WAS CAREFULLY WORDED AND NOT IN CONFLICT WITH THIS REALITY, BUT WE FEAR THE BRITISH ARE NOT READING IT THAT WAY. PERHAPS THIS IS DELIBERATE, BUT THE POSSIBILITY OF A MISUNDERSTANDING APPEARS TO BE REAL.

ARMSTRONG
UNQUOTE ROBINSON

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